

DE 03-090

CONNECTICUT VALLEY ELECTRIC COMPANY INC.

Request for an Interim Purchased Power Cost Adjustment (PPCA) and
Waiver of Puc 1203.05(a)

Order Nisi Approving Interim PPCA and Waiver

O R D E R N O. 24,157

April 16, 2003

The petitioner, Connecticut Valley Electric Company Inc. (CVEC), filed a petition with the New Hampshire Public Utilities Commission (Commission) on April 2, 2003 for an Interim Purchased Power Cost Adjustment (PPCA). The Company is seeking this interim charge to avoid an over-collection of \$863,281 for the twelve-month period ending December 31, 2003. The 2003 PPCA rate in effect for bills rendered on or after January 1, 2003 was approved in Order No. 24,101 (December 20, 2002). This rate was based upon testimony and evidence filed by CVEC in that docket on November 27, 2002.

In its current filing, Company representative Mr. C. J. Frankiewicz states that the new projected over-collection is primarily due to the actual 2002 year-end under-collection being \$730,812 less than what had been estimated. The estimated 2002 year-end under-collection was used in determining the 2003 PPCA rate. Because the actual under-collection was considerably less than previously anticipated, the current PPCA rate is higher than it needs to be to collect the 2002 PPCA under-recovery and the

expected 2003 purchased power costs.

Mr. Frankiewicz states that the cause of this discrepancy between the estimated and actual under-collection at year-end 2002 is due to the significant differences in the actual annual peak loads of CVEC and its parent company, Central Vermont Public Service Corporation (CVPS), from which CVEC obtains the majority of its power, compared to the forecasted peak loads. CVPS' annual peak occurred in early December. CVEC's load coincident with that peak was considerably less than forecast, and thus resulted in a smaller production capacity allocation factor, 0.05601, instead of the forecasted allocation factor of 0.06131. Because of this, CVEC was charged a lower capacity cost under the terms of its RS-2 contract with CVPS, and the resulting actual under-collection was only \$131,172. The forecasted under-collection of \$861,984 had been used in determining the rate for 2003; the Company now has determined that the PPCA rate for 2003 is overstated.

The expected 2003 over-collection is also due to the fact that actual year-to-date 2003 CVPS capacity costs have been lower than the forecasted amounts reflected in the original calculation of the 2003 PPCA rate. These two adjustments, if uncorrected, will result in CVEC over-collecting revenue in the PPCA for the months of January through May, 2003.

CVEC included an analysis of the impact the requested Interim PPCA would have on each of its customer classes. By itself, the proposed Interim PPCA would result in an overall rate decrease of 7.2 percent. Because the Conservation and Load Management Percentage Adjustment (C&LMPA) rate is computed as a percentage of a customer's bill, this portion of a customer's bill will decrease as well, resulting in a total rate decrease of 7.4 percent on an annual basis.

The Company presented the effect this rate reduction would have on a residential customer who uses 500 kWh per month. The current PPCA rate is \$0.0006 per kilowatt-hour (kWh) and the current monthly bill for a residential customer using 500 kWh is \$79.27. The proposed rate would be a credit of \$0.0092 per kWh and the average bill would then be \$74.23, a decrease of \$5.04 per month or 6.4 percent.

These savings are premised on approval of this petition with an effective date of June 1 on a bills rendered basis. The Company also stated that, should approval be granted early enough to allow for an implementation date of May 1, the Interim PPCA rate would be (\$0.0080) per kWh. With an implementation date of May 1, the Company would return the same amount of money to customers, but would do so over an eight-month period instead of a seven-month period. The percentage rate reduction would be 6.3 percent (or 6.5 percent with the C&LMPA). In either case, CVEC

seeks to have an over- or under-collection balance of zero, approximately, at the end of 2003.

If the Commission grants this request, CVEC states that it will also require a waiver of Puc 1203.05(a) which requires generally that rate changes be implemented on a service rendered basis. CVEC states that this would be in the public interest because it would eliminate customer confusion and reduce administrative costs.

In a memorandum filed with the Commission on April 16, 2003, Staff recommends approval of CVEC's proposal to decrease the PPCA rate. Staff agrees that the cause of the much lower than forecasted under-collection is due to an adjustment to the PPCA estimate for 2003 based on the incorporation of actual peak data, which was unavailable at the time the 2003 PPCA rate was established. These adjustments are unlikely to change significantly over the remainder of 2003; therefore, Staff believes it is appropriate to lower rates to customers as soon as practicable. Staff supports an effective date of May 1.

COMMISSION ANALYSIS

Upon review of the petition and the accompanying testimony of CVEC representative Frankiewicz, as well as the position of Staff presented in its memorandum, the Commission finds that it is in the public interest to approve the interim PPCA request, as well as the waiver of Puc 1203.05(a), effective

May 1, 2003.

Based upon the foregoing, it is hereby

ORDERED NISI, that subject to the effective date below, the petition of Connecticut Valley Electric Company Inc. to implement an Interim Purchased Power Cost Adjustment of (\$0.0080) per kWh effective with bills rendered on May 1, 2003 is APPROVED; and it is

FURTHER ORDERED, that this Commission will waive the application of Puc 1203.05(a) which requires generally that rate changes be implemented on a service rendered basis; and it is

FURTHER ORDERED, that the Petitioner shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than April 20, 2003 and to be documented by affidavit filed with this office on or before May 1, 2003; and it is

FURTHER ORDERED, that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this matter before the Commission no later than April 24, 2003; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no

later than April 28, 2003; and it is

FURTHER ORDERED, that this Order Nisi shall be effective May 1, 2003, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that the Petitioner shall file a compliance tariff with the Commission on or before May 1, 2003, in accordance with N.H. Admin. Rules Puc 1603.02(b).

By order of the Public Utilities Commission of New Hampshire this sixteenth day of April, 2003.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary